DOCUMENTATION IS THE KEY TO CHARITY DEDUCTION

The following is a summary of the rules to assure charitable deductions provide the expected tax benefit.

- **Receipt required.** To claim a charitable contribution deduction, donors must get a written acknowledgment from the charity for all contributions of $250 or more. This includes gifts of both cash and property. For donations of property, the acknowledgment must include, among other things, a description of the items contributed. In addition, the law requires that taxpayers have all acknowledgments in hand before filing their tax return.

  Tax planning idea. A check or bank record is required for all contributions under $250.

- **Vehicle donations.** Special reporting requirements generally apply to vehicle donations, and taxpayers wishing to claim these donations must attach all required documents to their tax return. The deduction for a car, boat or airplane donated to charity is usually limited to the gross proceeds from its sale. This rule applies if the claimed value is more than $500. Form 1098-C or a similar statement must be provided to the donor by the organization and attached to the donor's tax return.

- **Form 8283.** Taxpayers who give property to charity usually must attach a special form for reporting these noncash contributions. If the amount of the deduction for all noncash contributions is over $500, a properly-completed Form 8283 is required. An appraisal is required if the noncash contribution is valued over $5,000.

- **Year-end gifts.** Contributions are deductible in the year made. Thus, donations charged to a credit card before the end of 2015 count for 2015, even if the credit card bill isn't paid until 2016. Also, checks count for 2015 as long as they were mailed in 2015.

Required Documentation for Charitable Deductions Chart

Amount	Required records
CASH CONTRIBUTIONS	
Single cash contribution of less than $250	Cancelled check, bank record, credit card statement, or written acknowledgment from the charity.
Single cash contribution of $250 or more	Written acknowledgment from the charity.
Payroll Deduction	Pledge card and W-2, paystub, etc.

Amount	Required records
NONCASH CONTRIBUTIONS	
Noncash contributions less than $250	Written acknowledgment from the charity or other reliable record.
Noncash contribution of $250 but not more than $500	Written acknowledgment from the charity.
Noncash contribution over $500 but not more than $5,000	Written acknowledgment from the charity and Form 8283, part A.
Noncash contribution of over $5,000 of similar items	Written acknowledgment from the charity, appraisal and Form 8283, part B.
Noncash contribution of more than $500,000	Written acknowledgment from the charity, appraisal, and Form 8283, part B. Attach appraisal to the return.
OTHER NONCASH GIFTS	
Noncash contribution of auto, boat, or airplane with a value of more than $500	Written acknowledgment from the charity. Attach Form 1098-C and Form 8283 to return.
Noncash contribution of publicly traded stock	Written acknowledgment from the charity and Form 8283, part A.
Noncash contribution of privately traded stock of more than $5,000	Written acknowledgment from the charity, and Form 8283 part B. If the privately traded stock is valued at $10,000 or more, attach an appraisal to the return.
Noncash contribution of art valued at more than $20,000	Written acknowledgment from the charity, appraisal, Form 8283, part B. Appraisal and a photo of the art must be attached to the return.

The written acknowledgment must be received from the charity before the due date of the return (including extensions) and it **must include a statement regarding goods and services received in exchange for the contribution.**

> **Tax planning idea.** A receipt from the charity is required if the contribution (cash or noncash) is valued at $250 or more. An appraisal is required if the noncash contribution is valued over $5,000

- **Required documentation.** For any noncash contribution exceeding $5,000, the regulations require the donor to:

    1. obtain a qualified appraisal for the contributed property;

2. attach a fully completed appraisal summary (i.e., Form 8283) to the tax return on which the deduction is claimed; and

3. maintain records pertaining to the claimed deduction in accordance with the requirements.

- **What is a qualified appraisal?** The term "qualified appraisal" means an appraisal that is:

  1. prepared no earlier than 60 days prior to the donation nor later than the extended due date of the tax return for the year of the donation;

  2. conducted by a qualified appraiser in accordance with generally accepted appraisal standards; and

  3. not prepared for a fee based on a percentage of the appraised value of the donated item

- **Who is a qualified appraiser?** The term "qualified appraiser" means an individual who:

  1. has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations;

  2. demonstrates verifiable education and experience in valuing the type of property subject to the appraisal;

  3. regularly performs appraisals for which the individual receives compensation; and

  4. has not been prohibited from practicing before the IRS at any time during the three-year period ending on the date of the appraisal.

- **What must be included in the qualified appraisal?** The actual appraisal is required to include all of the following information.

  - A detailed description of the property;

  - If tangible personal property, the property's physical condition;

  - The date of the donation;

  - Terms of any agreement between the donor and the donee regarding the use or disposition of the donated property;

  - The name, address, and ID number of the appraiser;

  - The appraiser's qualifications including education, experience, and memberships in appraisal organizations;

  - A statement that the appraisal is to be used for income tax purposes;

- The date the property was appraised; and
- The fair market value of the donated property on the date of the contribution.

In addition, the appraiser must include on his or her appraisal summary a declaration that the appraiser may be subject to a penalty if a substantial or gross valuation misstatement results from an appraisal of the value of property that the appraiser knows, or reasonably should have known, would be used in connection with a return or claim for refund.